

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
September 28, 2022
1:30 p.m.

901 East Cary Street
One James Center, Katherine Johnson Room
Richmond, VA 23219

Call to Order

The meeting was called to order at 1:30 p.m. by Acting Chair Rick Harrell.

Committee Members Present: Acting Chair Rick Harrell, April Kees, and Secretary Caren Merrick

Committee Members Absent: Secretary Stephen Cummings and Steve Stone

Other Board Members: Carrie Chenery, Mimi Coles, John Hewa, Pace Lochte, Nick Rush, and Will Sessoms

VEDP staff present: Nicole David, Jason El Koubi, Kim Ellett, Stephanie Florie, Jennifer Garrett, Katherine Goodwin, Bob Grenell, Lori Melancon, and Lisa Wallmeyer

Guests present: Chris Kalafatis, Kim McKay, Jason Powell, and Randy Sherrod

Welcome and Introductions

Mr. El Koubi welcomed everyone, introduced several new Board members, and mentioned the return of Mr. Clemente and Mr. Hayter to the Board. Mr. El Koubi asked all attendees to introduce themselves.

Public Comment Period

Acting Chair Harrell asked for public comments. There were none.

Approval of Minutes for June 22, 2022 Meeting

Acting Chair Harrell asked for approval of the minutes from the June 22, 2022 Committee meeting. A motion was made by Ms. Kees and seconded by Secretary Merrick and the minutes were unanimously approved as presented.

VEDP FY22 Financial Results (thru 6/30/2022)

Mr. Grenell shared the FY22 Operations Budget to actual for the twelve months ended June 30, 2022. He highlighted that Talent Solutions is underspent and will carry forward to future years and that Real Estate Solutions is also underspent, as the division did not get started until January.

Mr. Grenell reviewed Projects, Pass Thru's and Grants, which are all under budget for the fiscal year. He stated that the FY22 budget balance remaining is for the Virginia Business Ready Sites Development and Characterization programs will be spent in future years.

Mr. Grenell said that overall it was a good fiscal year with a few carry forward items that will be spent in future years.

Mr. Rush asked if the carry forward funds are automatic. Mr. Grenell answered that they do automatically carry forward to future years.

Ms. Kees made a motion to approve the Q4 FY22 financial results. The motion was seconded by Secretary Merrick and the motion was unanimously approved.

Extension Requests

Acting Chair Harrell introduced Ms. Goodwin to share her report.

Secretary Merrick asked Ms. Goodwin to explain and provide background on extensions and the Commonwealth's Development Opportunity Fund (COF). Ms. Goodwin offered an explanation and shared that VEDP is seeing more extension requests lately due to impacts from Covid.

Ms. Goodwin explained Virginia's Major Employment and Investment Project Approval Commission (MEI) process and how it works.

Ms. Goodwin presented two extension requests for the Committee's consideration. She stated that the localities where these companies are located are supportive of the extension requests.

McAirlaid's -Franklin County has requested a first extension of 15 months to provide more time for the company to reach its employment target. The company has already exceeded its investment target. The company is actively recruiting but is in tough competition with others for labor.

Ms. Goodwin provided a data center extension request overview.

Compass Datacenters IAD I, LLC – Loudoun County has requested a first extension of 18 months to provide more time for the company to reach its employment target. The company has exceeded their investment target. To date, the company has not created any jobs. The company cites the delay in construction of their facility, due to supply chain issues, for the delay in hiring. They have just completed construction and are now actively recruiting.

Mr. Sessoms asked if there is any flexibility when a company is exceeding their investment targets, but falling short on job creation, since the added investment is beneficial to the Commonwealth. The Committee engaged in a discussion on this topic and how VEDP staff evaluates whether to recommend granting an extension request.

Ms. Kees asked to hear more information on Compass Datacenters' plan for reaching its employment target. Ms. Goodwin offered more details and said that the company feels very confident that they will meet their target.

Pointone Holdings, Inc. – Fauquier County has requested a first extension of 18 months to reach their capital investment and job targets. The company is currently at only 9% of their capital investment and they have not created any jobs. Fauquier is poised to realize future data center projects. VEDP and the county want to be supportive of growth in this sector, so offering the company additional time to meet its metrics is in line with this goal.

The Committee members engaged in a discussion on data centers.

Ms. Kees made a motion to recommend approval of all three extension requests that were presented. Secretary Merrick seconded the motion, and the recommendation was unanimously approved.

Clawback Updates and OAG Referrals

Ms. Goodwin stated that there have been no new referrals to the Office of the Attorney General (OAG) since the last Committee meeting.

Ms. Goodwin shared the clawback report and explained that one clawback is past due for Koinonia in Pulaski County. She stated that the clawback has been requested and the company has been very responsive. The company plans to repay the money by September 30.

Ms. Goodwin reviewed the clawbacks that have been requested but are not yet past due.

Ms. Goodwin shared a progress report on COF projects that are subject to clawbacks. She said that five clawbacks have been closed out since the Committee's last meeting in June of 2022 and that one clawback is still being processed.

Ms. Goodwin said there are no VJIP clawbacks from this period.

Ms. Goodwin stated that there is one data center project, OVH, currently subject to clawback, the amount of which is currently being determined.

Semiannual Report on Incentives FY22

Ms. Goodwin shared the semiannual report on VEDP-administered incentives. She noted that the reports shows 7 years' worth of data.

Report on COF Progress Reports for FY22

Ms. Goodwin provided an update on the number of COF annual progress reports that were received for FY22. She said that the number of reports expected was 80 and all 80 reports were received.

Secretary Merrick made a motion to recommend approval of the semiannual report on VEDP-administered incentives and the COF Progress Report. Ms. Kees seconded the motion, and the recommendation was unanimously approved.

Proposed Updates to Incentive-Related Policies and Procedures

Ms. Goodwin explained that in 2021, the VEDP Board of Directors approved updates to the VEDP Incentives Administration Policy and Procedural Guidelines. She added that these Guidelines must be reviewed on an annual basis and any changes set forth shared with the full Board.

Ms. Goodwin noted that there were no legislative impacts on VEDP-administered incentives during the 2022 General Assembly session, but that VEDP does suggest several changes to the Guidelines. Ms. Goodwin reviewed the proposed changes in detail.

Secretary Merrick made a motion to recommend approval of the proposed updates to VEDP's Incentives Administration Policy and Procedural Guidelines. Ms. Kees seconded the motion, and the recommendation was unanimously approved.

Internal Audit Update

Acting Chair Harrell introduced Mr. Sherrod with FORVIS (formerly Dixon, Hughes, Goodman, LLC) to provide a progress update on VEDP's internal audit function.

Mr. Sherrod said that he and his team are getting ready to kick off their audits of VJIP and Economic Competitiveness. He said that these audits should be completed by the end of the calendar year.

Mr. Sherrod said that starting in the first quarter of 2023, audits of the Research and Information Technology divisions will take place. Mr. Kalafatis explained that this will be the second time these divisions have been audited, so this next round will also include follow-up on any findings from past audits.

Acting Chair Harrell thanked Mr. Sherrod for his report.

Other Topics, Adjournment, and Next Meeting

The Committee asked for a high-level overview of the various incentive programs that VEDP manages at the next meeting. Secretary Merrick suggested also discussing other incentive programs that are managed by others but intersect with VEDP.

The Committee engaged in discussion about how it can be confusing for the localities to figure out how to navigate all of the various incentives. Some members noted that the same issue exists with workforce-related programs and that there is a need to have both of these areas centralized.

Ms. Coles asked if there is a comprehensive list of all of the available incentives. Mr. El Koubi suggested the incentives page of VEDP's website as a resource.

The next meeting of the Finance and Audit Committee will be held in December, exact date and time TBD. The meeting was adjourned at 2:34 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary